



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2006



**CITY OF SAN PABLO, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**PREPARED BY THE**  
**FINANCE DEPARTMENT**

**COVER PHOTO: Los Charros de San Pablo**

# *City of San Pablo*



CITY OF SAN PABLO, CALIFORNIA  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

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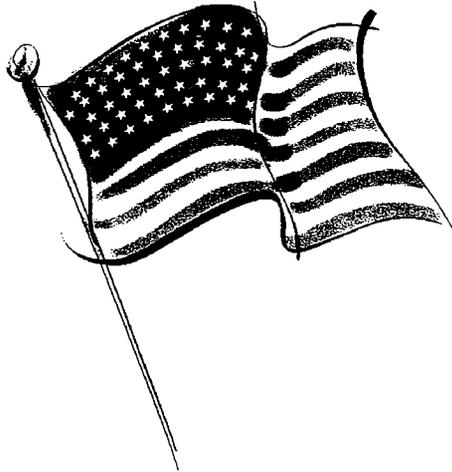
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*City of San Pablo*





# CITY OF SAN PABLO

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[www.ci.san-pablo.ca.us](http://www.ci.san-pablo.ca.us)

Phone 510.215.3020 • Fax 510.235.7059

## FINANCE DEPARTMENT

August 17, 2006

Honorable Mayor and Members of the City Council  
City of San Pablo, California

State law requires that all general-purpose local governments, within six months of the close of each fiscal year, publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to submit the City of San Pablo's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All material statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of San Pablo, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements for the fiscal year ended June 30, 2006 have been audited by Maze & Associates. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of San Pablo, California's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of San Pablo was incorporated as a general law city on April 27, 1948. The City operates under the Council-Manager form of government. The City Manager is responsible for the efficient implementation of Council policy and the effective administration of all City government affairs. The City Council is elected every four years and the Council elects its mayor annually.

San Pablo is located in West Contra Costa County on Interstate 80, minutes away from the Bay Area cultural centers of Berkeley, Oakland and San Francisco. Interstate 80 is the principal arterial route between the Bay Area and Sacramento.

The City provides a range of services, some of which are provided on a contractual basis. Contractual services with Contra Costa County include fire, animal control and building officials. Other contract services include street sweeping and major capital projects. The City provides a full range of services including police protection, recreational activities, community development, street improvements and maintenance services.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of San Pablo as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Blended components, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Redevelopment Agency (RDA) and the Joint Powers Financing Authority are reported as funds of the primary government in the Special Revenue, Capital Project and Debt Service Funds.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds and the RDA capital projects fund are included in the annual appropriated budget. The Public Works Construction Capital Projects Fund is budgeted on a project-length basis. Encumbrances are used in conjunction with budget and expenditure accounting at the time purchase orders are authorized, in order to ensure that no more than the amounts budgeted are expended. Monthly reports on expenditures and encumbrance activity are prepared to assist individual departments or divisions in controlling their budgets. The Finance Director reviews these reports for budgetary compliance.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

#### *Current Economic Conditions and Outlook:*

San Pablo covers an area of approximately three square miles. The City has an estimated population of 31,216 and an assessed valuation of \$ 1,410,786,153. The area is characterized as an older bedroom community that is almost completely built out. All development that is done is through the reuse of existing properties.

Contra Costa College, located in San Pablo, provides a full AA degree curriculum and is widely respected for its ability to educate a diverse population and prepare them to transfer to a four year university.

Doctors Medical Center San Pablo/Pinole is operated by the West Contra Costa Healthcare District, a public agency. Serving the community for more than fifty years, Doctors Medical Center has a 232-bed hospital in San Pablo with the largest ER in the West County area and the second busiest in Contra Costa County. Besides emergency services, Doctors Medical Center offers a full range of health services, including a regional cancer treatment center, a well known cardiac center, hyperbaric medicine center, orthopedics and obstetrics.

San Pablo Lytton Casino is a Native American Casino in San Pablo, California and is open daily 24 hours. The property has one restaurant and offers both card games and electronic bingo machines. The City relies heavily on Casino business revenue to support general fund operations. As such San Pablo is unique in the region and is not subject to the same variations in taxes that impact neighboring cities. Casino business taxes comprised 53% of general fund revenues for FY 2005-06. With the addition of electronic bingo machines in August 2005, revenue is expected to grow.

Utility user's tax, sales tax and motor vehicle fees represent the other major general fund revenue producers and no variation is expected.

After many years of minimal new construction, the City continues to see the impact of the new development that started in 2003. Old shopping centers that were largely abandoned have found new life as housing. Vacant lots that were being used as illegal dumping grounds now boast new houses. Median housing prices have increased by 27 percent. Older commercial areas are getting facelifts with façade improvements. All of this activity has resulted in current secured property taxes increasing 13 percent for the year. When supplemental property taxes and incremental property taxes of the redevelopment agency are included, property taxes equal 34% of revenue for all governmental funds.

*Major Initiatives:*

The City of San Pablo is an active and vibrant community, with a municipal government that is proactive and prepared to respond to changes which are occurring. This year the City Council had a retreat at which time they formulated the major initiatives for the City. In fiscal year 2005-06, the City began or continued work on several capital projects, including the following:

- Brookside / Broadway Central Roadway Reconstruction
- Road 20 Reconstruction
- Bayview Roadway Reconstruction
- San Pablo Dam Road Overlay
- El Portal Drive Gateway
- 23<sup>rd</sup> Street Revitalization
- Maple Hall Renovation
- Wildcat Creek Restoration @ Maple Hall
- 23<sup>rd</sup> Street Façade Renovation
- Wanlass Park
- Annual Slurry Seal Project

In addition The City has assisted developers on the following projects:

- East Bay Asian Local Development Corporation for 84 affordable housing units
- Simpson Housing for 150 affordable housing units

*Cash Management Policies and Practices:*

The City invests temporarily idle funds in accordance with the State Government Code and the Investment Policy adopted by the City Council. During the year, funds were invested in the Local Agency Investment Fund of the State of California and mutual funds composed of U. S. Government Securities.

The City's investment policy is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statues governing the investment of public funds. The primary objectives of San Pablo's investment activities are, in order of priority:

1. Safety of invested funds;
2. Maintain sufficient liquidity to meet all operating requirements; and
3. Attainment of a rate of return throughout budgetary and economic cycles, consistent with the first two objectives.

This investment policy is reviewed annually to ensure its consistency with respect to the overall objectives of safety, liquidity and yield, and its relevance to current laws and financial trends. Proposed amendments to the Policy shall be prepared by the Finance Director, and after review and approval by the City Manager, shall be forwarded to the City Council for consideration and approval.

*Risk Management:*

The City is a member of the Municipal Pooling Authority (MPA). The Authority was formed to allow member agencies to pool together to provide cost effectiveness risk management services and programs to member agencies. The MPA provides for liability coverage to a maximum of \$15 million and for Workers' Compensation coverage to a maximum of \$145 million.

The City retains the risk for general liability in the amount of \$5,000 per claim and for all risk fire and property insurance up to \$5,000 per claim. The City provides fully-insured health plans through PERS and dental, life and long term disability programs through MPA.

*Pension and Postemployment Benefits:*

All full-time employees of the City are eligible to participate in the California Public Employees' Retirement System (PERS). PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50.

Retirees are also provided with medical coverage. To fund this benefit a trust fund has been set up with ICMA-RC and \$1,000,000, or approximately 20% of the unfunded liability was deposited into this fund. It is the intention of the City to make annual contributions until the unfunded liability is paid off.

Awards

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Pablo for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City has also been awarded the Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers (CSMFO) for its CAFR for the last eleven consecutive years. The City will submit the fiscal year 2005/06 report to the CSMFO, as well.

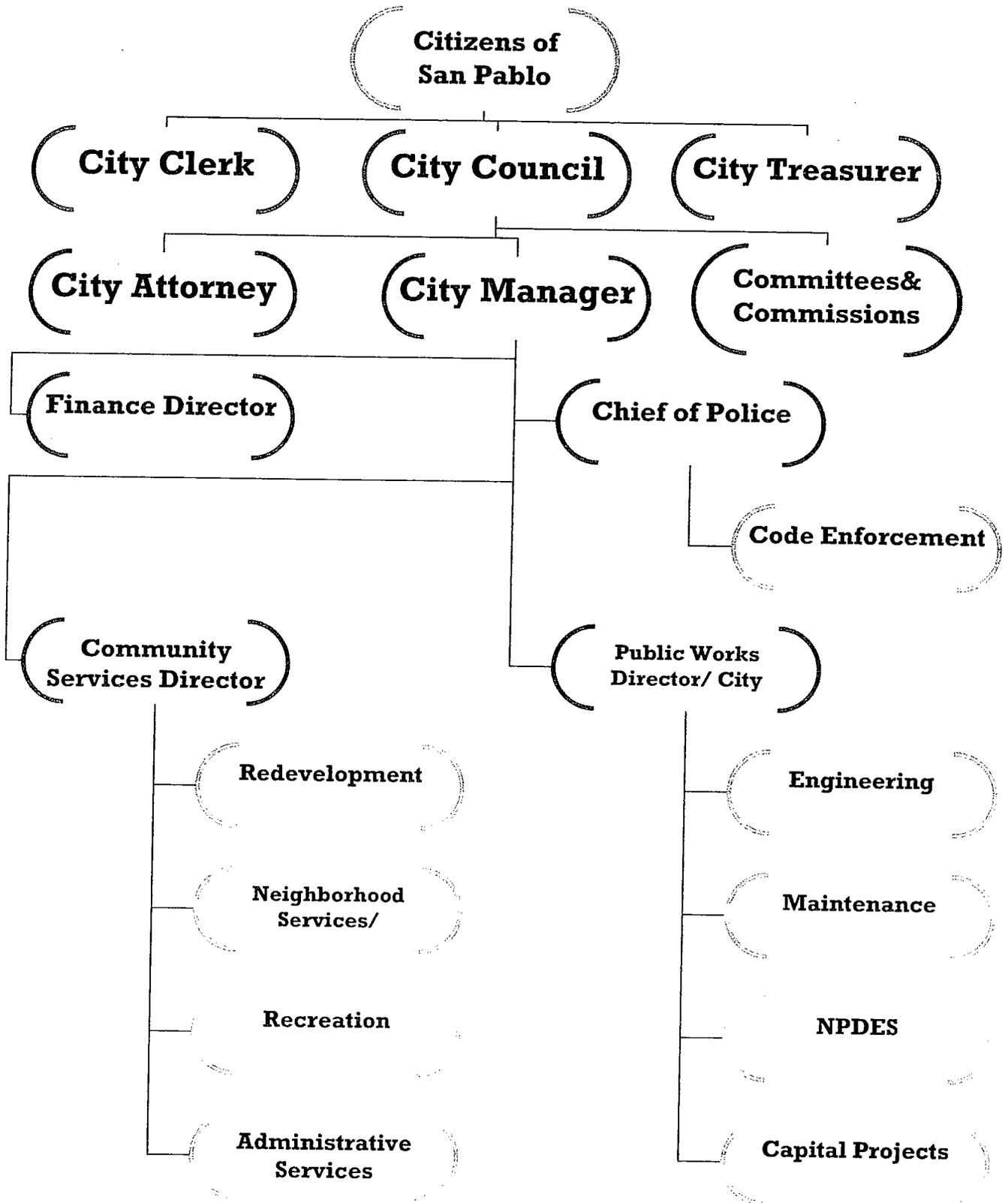
I wish to acknowledge the excellent participation and professional contribution of the financial staff in the preparation of this document, in particular Mindy Charlup, Lynette Jackson and Jo Anna Rodriguez, who are to be commended for their continued high level of performance. I would also like to express my appreciation to all departments within the City, who provided assistance and support.

Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.



Sincerely,  
CITY OF SAN PABLO  
Bradley J. Ward  
Finance Director

# CITY OF SAN PABLO ORGANIZATION CHART



**CITY OF SAN PABLO**  
**ELECTED OFFICIALS AND**  
**ADMINISTRATIVE PERSONNEL**

**JUNE 30, 2006**

**ELECTED OFFICIALS**

Mayor	Genoveva Garcia-Calloway
Vice Mayor	Paul V. Morris
Council Member	Sharon J. Brown
Council Member	Leonard McNeil
Council Member	Joseph M. Gomes
City Clerk	Ted J. Denney
City Treasurer	Charles Nicholas

**ADMINISTRATIVE PERSONNEL**

City Manager  
City Attorney  
Chief of Police  
Finance Director

Brock Arner  
Brian M. Libow  
Joseph P Aita  
Bradley J. Ward

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2004-05*

Presented to the

*City of San Pablo*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2006*

*William A. Stumpf*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Pablo,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

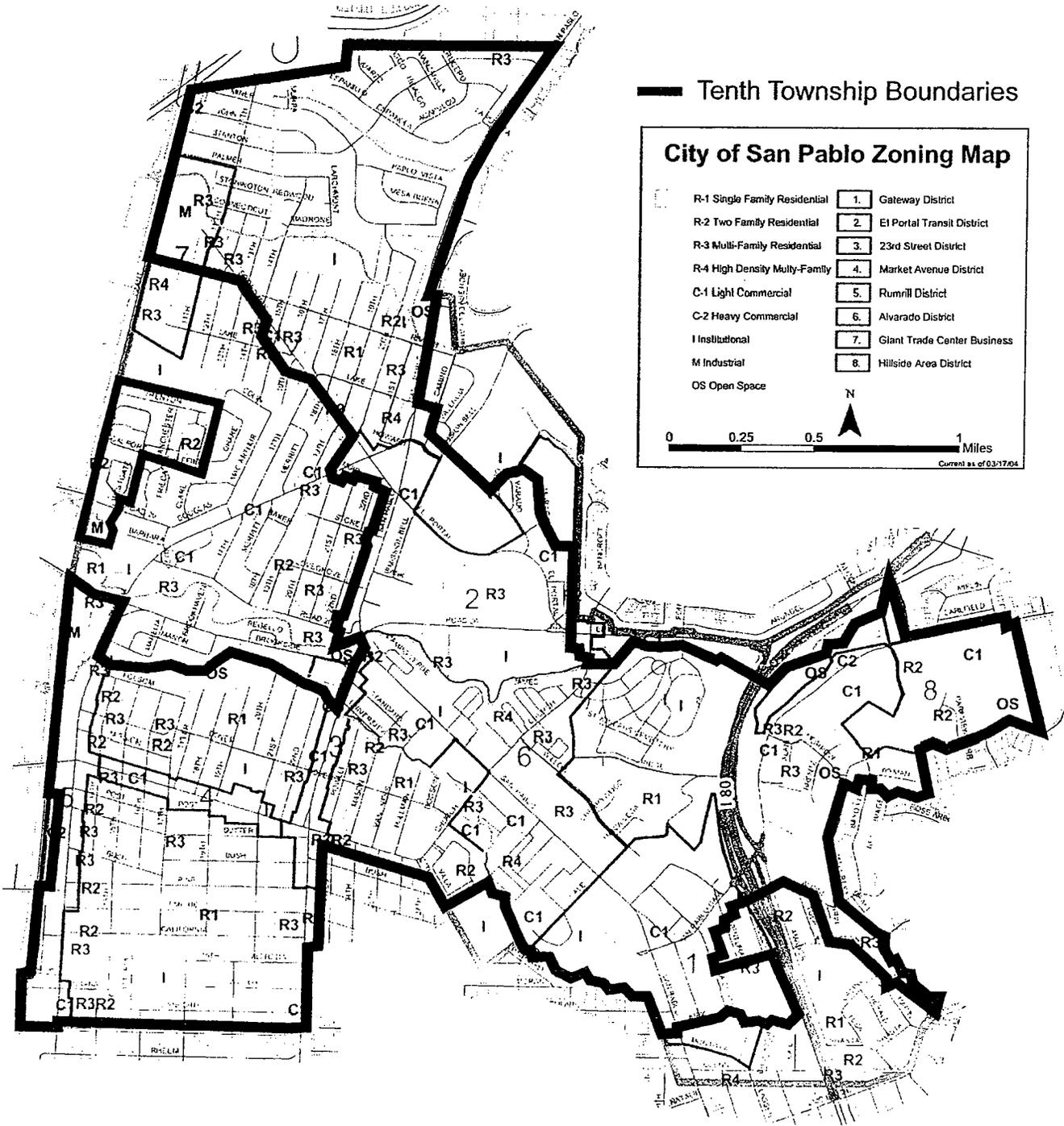


*Carla E. Perry*

President

*Jeffrey R. Egan*

Executive Director



**— Tenth Township Boundaries**

### City of San Pablo Zoning Map

R-1 Single Family Residential	1. Gateway District
R-2 Two Family Residential	2. El Portal Transit District
R-3 Multi-Family Residential	3. 23rd Street District
R-4 High Density Multi-Family	4. Market Avenue District
C-1 Light Commercial	5. Rumrill District
C-2 Heavy Commercial	6. Alvarado District
I Institutional	7. Giant Trade Center Business
M Industrial	8. Hillside Area District
OS Open Space	

N

0 0.25 0.5 1 Miles

Current as of 03/17/04

# *City of San Pablo*



# MAZE & ASSOCIATES

## ACCOUNTANCY CORPORATION

3478 Buskirk Ave. - Suite 215  
Pleasant Hill, California 94523  
(925) 930-0902 • FAX (925) 930-0135  
maze@mazeassociates.com  
www.mazeassociates.com

## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the Honorable Mayor and City Council  
City of San Pablo, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of San Pablo, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of San Pablo at June 30, 2006 and the respective results of its operation and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described in Note 11 effective in fiscal 2005-06, the City implemented the provisions of GASB Statement No. 43 Financial Reporting for Post Employment Benefit Plans Other than Pension Plans and GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of San Pablo. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and statistical sections listed in the Table of Contents were not audited by us and we do not express an opinion on this information.

*Maze and Associates*

August 11, 2006

*City of San Pablo*



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion & Analysis is a discussion and analysis of the City's financial activities for the fiscal year. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

### **FISCAL 2006 FINANCIAL HIGHLIGHTS**

Several major events occurred in Fiscal Year 2006 which affected the City's financial statements: a lump sum payment to CalPERS for safety employees' unfunded liability, a large payment to fund OPEB (Other Post Employment Benefits), two deposits to the State of California for the condemnation of real property, and the settlement of a \$2.8 million condemnation deposit from fiscal year 2005.

(1) Last year the City of San Pablo was required to become part of a risk pool created by the CalPERS Board. When joining the risk pool a side fund was created to account for the differences between the funded status of the pool and the funded status of the City's plan. The City's side fund (unfunded liability) for safety employees was \$5.1 million. CalPERS was willing to let the City amortize this balance over 15 years at 7.75% interest, however it was found that using City and Agency funds to pay off the side fund produced the greatest savings. The San Pablo City Council adopted a resolution in Fiscal Year 2006 authorizing the lump sum payment to CalPERS of \$5.1 million which was paid in February 2006.

(2) The City of San Pablo early-implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions*. As part of the implementation, the City established an irrevocable trust to provide a funding mechanism for the OPEB and contributed \$1 million to this fund in fiscal year 2006.

(3) The Board of Directors of the Redevelopment Agency of San Pablo adopted two resolutions finding that public necessity required the acquisition of certain real property for redevelopment. Deposits of \$1.75 million and \$12.1 million were sent to the State of California Condemnation Fund for condemnation of the Salvation Army site and Circle S Mobile Home Park.

(4) A final settlement was reached regarding the \$2.8 million deposit made in fiscal year 2005 for condemnation of the Alvarado Mobile Home Park. The owner of the property withdrew the \$2.8 million, an additional \$.9 million was paid and the final order of condemnation was signed by the Court and recorded with the County.

These events account for most of the Fiscal Year 2006 financial highlights which include the following:

#### *City-wide:*

- The City's total net assets increased \$4 million in fiscal 2006. At June 30, 2006, net assets totaled \$48.2 million.
- City-wide revenues include program revenues of \$4.6 million and general revenues of \$32.5 million, totaling \$37.1 million, a \$10 million increase from the prior year.
- Total City-wide expenses were \$33.1 million, \$4.6 million over the prior year.

*Fund Level:*

- Governmental Fund balances increased \$.6 million to \$70.7 million. Prepaids and deposits increased \$11.1 million, cash and investments increased \$5.7 million, restricted cash and investments decreased \$19.8 million, and land held for resale increased \$3.2 million in fiscal 2006.
- Governmental Fund revenues increased \$8.2 million to \$37 million in fiscal 2006.
- Governmental Fund expenditures increased \$4 million to \$34.4 million in fiscal 2006, from fiscal 2005's level of \$30.4 million.
- General Fund revenues of \$17.7 million represent an increase of \$5.8 million over the fiscal 2005's revenues of \$11.9 million.
- General Fund balance of \$13.4 million at the fiscal 2006 year end decreased \$.6 million from fiscal 2005's fund balance of \$14 million.

**The Basic Financial Statements**

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position—long-term and short-term.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Fund Financial Statements report the City's operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The City acts solely as a depository agent for Special Assessment Districts and certain other entities. The fiduciary statements provide information about the cash balances and activities of these Special Assessment Districts and other entities. These statements are separate from, and their balances are excluded from, the City's financial statements.

*The City-wide Financial Statements*

All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, recreation, public improvements, planning and zoning, and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as fees.

The City's governmental activities include the activities of the separate legal entities, the Redevelopment Agency of the City of San Pablo and the Joint Powers Financing Authority, because the City is financially accountable for the Agency and the Authority.

City-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

### *Fund Financial Statements*

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the City-wide financial statements.

The Fund financial statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year. The General fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of City's activities.

The City has three Major Funds in 2006 in addition to the General Fund. These are the Redevelopment Agency Low & Moderate Income Housing Fund, the Redevelopment Agency Projects Fund, and the Public Works Construction Fund each of which is discussed in detail below.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major funds that are Special Revenue Funds, which in the City's case include the Redevelopment Agency Low & Moderate Income Housing Fund.

### *Fiduciary Statements*

The City is the agent for certain assessment districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. In Fiscal Year 2006 a new fiduciary trust fund "Retiree Health Savings Plan Trust Fund" was set up. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City as a whole (Tables 1, 2 and 3), presented in the City-wide Statement of Net Assets and Statement of Activities that follow (the City has no proprietary activities).

### Governmental Activities

**Table 1**  
**Governmental Net Assets at June 30, 2006**  
**(in Millions)**

	Governmental Activities	
	2006	2005
Cash and investments	\$46.50	\$60.50
Other assets	31.30	14.90
Capital assets	42.40	42.00
<b>Total assets</b>	<b>120.20</b>	<b>117.40</b>
Long-term debt outstanding	69.80	71.10
Other liabilities	2.20	2.10
<b>Total liabilities</b>	<b>72.00</b>	<b>73.20</b>
Net assets:		
Invested in capital assets, net of debt	0.40	1.30
Restricted	53.30	53.60
Unrestricted	(5.50)	(10.70)
<b>Total net assets</b>	<b>\$48.20</b>	<b>\$44.20</b>

The City's net assets increased \$4 million to \$48.2 million in 2006 from \$44.2 million in 2005. This increase in the Change in Net Assets is reflected in the Statement of Activities shown in Table 2 and is explained below:

- \* Cash and investments decreased \$14 million, primarily due to the \$13.8 million deposit made with the State of California Condemnation Fund to acquire property deemed necessary for redevelopment through eminent domain, as well as the \$5.1 million payment to CalPERS lump sum payment for safety employees' unfunded liability, as discussed in Note 11.
- \* Other assets increased \$16.4 million as a result of: the deposits totaling \$13.8 million in 2006 with the State of California Condemnation Fund as mentioned on the prior page, the final settlement of the \$2.8 million deposit from fiscal year 2005 in the State of California Condemnation Fund and a \$3.2 million increase in property held for resale which resulted from this final settlement.
- \* Capital assets increased \$.4 million in the current fiscal year. This increase is attributable to addition of capital assets and completion of construction in progress projects.
- \* Long-term debt decreased \$1.3 million due to debt payments (Note 8).
- \* Net assets invested in capital assets, net of related debt, decreased \$.9 million. This is the result of the City retiring assets and an increase in the debt outstanding to finance the assets.
- \* Unrestricted net assets of \$(5.5) million represents liquid assets available to finance day-to-day operations and other expenditures approved by City Council. This increased \$5.2 million in fiscal 2006 as a result of an increase in General Fund revenue of \$5.8 million.

